

RECORD OF PROCEEDINGS

MINUTES OF A SPECIAL MEETING OF OF THE BOARD OF DIRECTORS OF THE CASCADE METROPOLITAN DISTRICT NO. 1 HELD JULY 22, 2014

A special meeting of the Board of Directors of the Cascade Metropolitan District No. 1 (the "Board") was duly held on Tuesday, the 22nd day of July, 2014, at 5:00 p.m., at the Cascade Fire Station, 8015 Severy Road, Cascade, Colorado. The meeting was open to the public.

ATTENDANCE

Directors In Attendance Were:

Mike Whittemore
Bob Justis
Troy Eason

Following discussion, upon motion duly made by Director Eason, seconded by Director Justis and, upon vote, unanimously carried, the absences of Directors Herr and Anderson were excused.

Mr. Gomes reported to the Board the resignation of Director Anderson from his role as Board President. Mr. Gomes advised that as Board Vice President, Director Whittemore, will assume the presidency until such time as the Board elects a Board President.

Following discussion, upon motion duly made by Director Justis, seconded by Director Eason and, upon vote, unanimously carried, the Board elected Director Whittemore to the Board Presidency.

Also In Attendance Were:

Leon Gomes; Special District Management Services, Inc.

Jennifer Gruber Tanaka, Esq., White Bear Ankele Tanaka & Waldron, P.C.

Duane Schorman; Operator

Members of the Public; see attached list

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DISCLOSURE OF POTENTIAL CONFLICTS OF INTEREST

Disclosure of Potential or Existing Conflicts of Interest: The Board discussed the requirements pursuant to Colorado law to disclose any potential or existing conflicts of interest to the Board of Directors and to the Secretary of State. Attorney Tanaka reported that disclosures for those directors with potential or existing conflicts of interest were filed with the Secretary of State's Office and the Board at least 72 hours prior to the meeting, in accordance with Colorado law, and those disclosures were acknowledged by the Board and are attached hereto. Mr. Gomes noted that a quorum was present and inquired into whether members of the Board had any additional disclosures of potential conflicts of interest with regard to any matters scheduled for discussion at this meeting. No additional disclosures were noted.

EXECUTIVE SESSION

EXECUTIVE SESSION: Pursuant to Section 24-6-402(4) of the Colorado Revised Statutes, upon motion duly made by Director Whittemore, seconded by Director Justis and, upon an affirmative vote of at least two-thirds of the quorum present, the Board convened in executive session at 5:00 P.M. for the purpose of receiving from the Board's attorney legal advice as authorized by Section 24-6-402(4)(b), C.R.S. and determining positions relative to matters that may be subject to negotiations; developing strategy for negotiations; and instructing negotiators as authorized by Section 24-6-402(4)(e), C.R.S.

At 5:00 P.M., pursuant to Section 24-6-402(2)(d.5) (II)(B), C.R.S., no record will be kept of the remaining portion of this executive session that, in the opinion of the Board's attorney, constitutes privileged attorney-client communication pursuant to Section 24-6-402(4)(b), C.R.S.

The Board reconvened in regular session at 5:30 P.M.

ADMINISTRATIVE MATTERS

Agenda: Mr. Gomes reviewed the proposed Agenda for the District's regular Board Meeting.

Following discussion, upon motion duly made by Director Justis, seconded by Director Eason and, upon vote, unanimously carried, the Agenda was approved, as amended.

Public Comment:

Lisa Haight—Ms. Haight queried the Board regarding the District Attorney's investigation of the embezzlement of District funds. Attorney Tanaka advised that she has been in correspondence with the Fourth Judicial District Attorney's Office whereby she has learned that the matter is still under investigation.

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Attorney Tanaka noted that she does not have any additional information on the progress or timing at present but will keep the Board apprised of any information she learns.

Sally Lundblad—Ms. Lundblad asked whether the Board planned to consider her request regarding a reduction in her billed water use at the August 26, 2014 Regular Meeting. Mr. Gomes noted that the matter would be on the agenda for the August 26, 2014 Regular Meeting.

Gary Cohn—Mr. Cohn asked whether the Board planned to consider his request for reductions in the Water Meter Fee and Water Provision Fee. Attorney Tanaka advised that the settlement agreement between the District and Colorado Springs utilities requires that the Water Provision Fee be pro-rated for water service connections greater than $\frac{3}{4}$ inch. Mr. Cohn inquired about obtaining a copy of the settlement agreement. Attorney Tanaka responded that the settlement agreement may be obtained either on the White Bear Ankele Tanaka & Waldron P.C. website, or that a copy may be mailed after completion of an open records request application. Mr. Cohn noted that his water meter had not been audited as it is buried under six feet of earth. Operator Schorman advised that the dirt was placed over Mr. Cohn's meter pit either by El Paso County or by the Colorado Department of Transportation to divert potential flood waters. Director Eason will work with the District Operators to uncover Mr. Cohn's meter pit.

Michelle Cohn—Ms. Cohn asked of the Board that some consideration be made for fees applied to residential property owners with one inch service lines.

A customer asked about director Anderson's effectiveness as a Director.

Correspondence: There was no correspondence for the Board to discuss.

Minutes: The Board reviewed and considered the Minutes from the June 24, 2014 Regular meeting.

Following discussion, upon motion duly made by Director Whittemore, seconded by Director Eason and, upon vote, unanimously carried, the Minutes were approved.

FINANCIAL MATTERS

Claims: The Board considered approval of the payment of payables through the period ending July 22, 2014, totaling \$59,423.19.

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Following review and discussion, upon motion duly made by Director Eason, seconded by Director Justis and, upon vote, unanimously carried, the Board approved the payment of payables, as presented.

Financial Statements: Mr. Gomes reviewed with the Board the unaudited financial statements for the period ending June 30, 2014 and the schedule of cash position dated June 30, 2014.

Following review and discussion, upon motion duly made by Director Justis, seconded by Director Eason and, upon vote, unanimously carried, the Board accepted the unaudited financial statements for the period ending June 30, 2014, and the schedule of cash position as presented.

Cash Analysis: Mr. Gomes reviewed with the Board the Cash Analysis through July 15, 2014. The Cash analysis showed the following balances:

Total Cash in District: \$3,502.11

Total Remaining to be Paid: \$652,382.94

2013 Audit: Attorney Tanaka reported that, absent an extension granted by the State Auditor's office, the 2013 Audit is required to be filed by July 31, 2014. Attorney Tanaka noted that the Request for Audit Extension was denied by the Office of the State Auditor, but that no penalties will apply to the District as it has no mill levies. Attorney Tanaka advised the District to file the 2013 Audit by the July 31, 2014 deadline if possible. Attorney Tanaka recommended for the Board to appoint a committee of Directors to review and accept the 2013 Audit so that it may be filed by July 31, 2014 deadline without holding a Special Meeting.

Following discussion, upon motion duly made by Director Whittemore, seconded by Director Justis and, upon vote, unanimously carried, the Board appointed Directors Eason and Justis to the 2013 Audit Review Committee with the authority to review and accept the 2013 Audit.

Refunds of Transfer Fees: The Board deferred discussion to the August 26, 2014 Regular Meeting.

OPERATIONS MATTERS

Operator's Monthly Report: Operator Schorman discussed the following items with the Board:

1. Mr. Schorman reported that approximately 1.9 million gallons of water were registered through the Colorado Springs Utilities

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Master Meter.

2. Mr. Schorman reported that a hydrant on Poplar Street had been damaged by an unknown vehicle. Mr. Gomes requested that an estimate of repairs be provided so that a claim may be filed with the District's insurance agent.
3. Mr. Schorman reported that parts were ordered for the repairs to the Aspen Glow hydrant.
4. Mr. Schorman reported that repairs had been made to four valves crushed during the water main relocation on Topeka Avenue.
5. Mr. Schorman reported that a new meter had been installed at the Souders residence.

Proposal for Repair of Fire Hydrant: There was no proposal to be considered.

Water Meter Audits: Mr. Gomes reported that the meter audit determined that as many as twenty meters may be in need of replacement. Mr. Gomes advised the Board that the meter audit resulted in \$12,000-\$15,000 additional monthly revenue.

Following discussion, upon motion duly made by Director Justis, seconded by Director Eason and, upon vote, unanimously carried, the Board authorized the expenditure of up to \$4,500 for the replacement of defective meters.

Water Use Charge Reduction for 8220 Emporia Avenue: Ms. Lundblad requested that the Board consider reducing the amount of water which the District billed her for in May 2014. Ms. Lundblad noted that after receiving a bill for \$419.40, she discovered a water leak responsible for the unusually high water usage.

Following discussion, the Board directed Mr. Gomes not to assess late fees for Ms. Lundblad until a decision is made on her request.

Water Use Charge Reduction for Jordan Zimmerman: Mr. Zimmerman reported to the Board that the water use for his residence had significantly increased during the months of September, October, and November 2013. Mr. Zimmerman noted that he had contacted Special District Management Services, Inc. but had not received a reply. Mr. Zimmerman noted that he knew of no leaks in his line and that he did not understand why his water use increased for the three months in question. Mr. Gomes stated that Mr. Zimmerman's meter had been checked during the meter audit and that the meter readings are correct for Mr. Zimmerman's residence. The Board deferred making a decision on this request until the August 26, 2014 Regular Meeting.

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Following discussion, the Board directed Mr. Gomes not to assess late fees for Mr. Zimmerman until a decision is made on his request.

LEGAL MATTERS

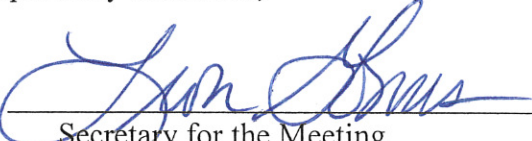
New Board Member Orientation: The Board deferred discussion on a Board Member Orientation to the August 26, 2014 Regular Meeting.

Engagement of Randall Steichen as Special Litigation Counsel: The Board deferred discussion to the August 26, 2014 Regular Meeting.

ADJOURNMENT

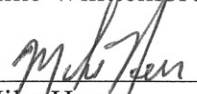
There being no further business to come before the Board at this time, upon motion duly made and seconded, and upon vote, unanimously carried, the meeting was adjourned.

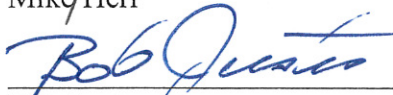
Respectfully submitted,

By 
Secretary for the Meeting

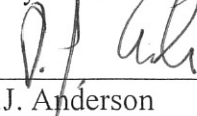
THESE MINUTES ARE APPROVED AS THE OFFICIAL JULY 22, 2014 MINUTES OF THE CASCADE METROPOLITAN DISTRICT NO. 1 BY THE BOARD OF DIRECTORS SIGNING BELOW:


Mike Whitemore


Mike Herr


Bob Justis

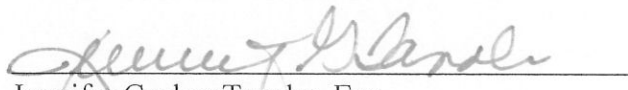

Troy Eason


P.J. Anderson

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Attorney Statement Regarding Privileged Attorney-Client Communication

Pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S., I attest that, in my capacity as the attorney representing the Cascade Metropolitan District No. 1, I attended the executive session on July 22, 2014 for the sole purposes of conferencing with the District's legal counsel for the purposes of receiving legal advice on specific legal questions and discussing matters subject to negotiation, as authorized by §§24-6-402(4)(b) and (e), C.R.S. I further attest that it is my opinion that all or a portion of the executive session discussion constituted attorney-client privileged communication as provided by §24-6-402(4)(b), C.R.S., and, based on that opinion, no further record, written or electronic, was kept or required to be kept pursuant to §24-6-402(2)(d.5)(II)(B), C.R.S.



Jennifer Gruber Tanaka, Esq.
General Counsel
Cascade Metropolitan District No. 1